

TITLE: VPIC Policy on Investments in Terrorist or Genocide Linked Countries

Policy:

Subject to the requirement that investments shall be made in accordance with the standard of care established by the prudent investor rule under 9 V.S.A. Chapter 147, the Vermont Pension Investment Committee ("VPIC") has established the following policy:

- 1) No investments are permitted in government bonds, notes, or bills of nations identified as State Sponsors of Terrorism by the U.S. State Department ("State Sponsors of Terrorism" listed at www.state.gov/s/ct/c14151.htm).
- 2) No investments are permitted in companies whose business activities contribute to terrorism or genocide, or that pose a national security risk, as identified by the U.S. State Department, Treasury, or any other authorized agency of the U.S. Government, recognized and accepted by the VPIC.
- 3) The VPIC seeks to avoid investments in companies operating contrary to the sanctions outlined by the U.S. Treasury Department of Foreign Asset Control listed at <http://treas.gov/offices/enforcement/ofac/programs/>).
- 4) The VPIC seeks to avoid investments in companies which provide military equipment, arms or military supplies to any government or government associated group or entity in a country engaged in the sponsorship of terrorism or genocide as identified by the U.S. State Department, or contrary to the sanctions listed by the U.S. Treasury Department Office of Foreign Asset Control.
- 5) The VPIC seeks to avoid investments in companies operating in a country engaged in the sponsorship of terrorism or genocide as identified by the U.S. State Department or included on the listing of sanctioned countries by the U.S. Treasury Department Office of foreign Asset Control, when such companies have been documented by reputable sources to support a government or government associated group or entity engaged in terrorist or genocidal activities, and which companies consistently refuse engagement with investors or humanitarian organizations about steps the company could take to play a positive role in the country.
- 6) This policy does not require exit from an index or commingled investment vehicle. However, reasonable efforts will be made to find a comparable product that will be compliant with this policy and managers will be encouraged to consider developing products that would be compliant.

Procedures:

- A) A letter will be sent annually to all investment managers stating VPIC's Policy on Investments in Terrorist or Genocide Linked Countries. Investment managers will be asked to report on their perspectives about the risk that terrorism and genocide places on our portfolio and what efforts the manager is undertaking to screen for possible terrorist or genocidal connections with securities held on behalf of the VPIC.

- B) Quarterly, investment managers shall report to VPIC staff on any securities in VPIC's portfolio which could reasonably be construed to be in conflict with this policy. VPIC staff will prepare a report, including any conflicting information, for the VPIC investment subcommittee to consider at its next meeting. The subcommittee may make a recommendation to the full VPIC whether the security should be held or should be sold.
- C) VPIC proxies will generally be voted in support of shareholder resolutions supporting transparency about company activities in countries engaged in the sponsorship of terrorism or genocide, as identified by the U.S. State Department, Treasury Department, or any other authorized agency of the U.S. Government, as well as requests for companies to play a role of constructive engagement in those countries.
- D) This policy will remain in effect unless amended or abolished by the VPIC.